

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1788 – SB 2193

February 17, 2016

SUMMARY OF BILL: Abolishes the current across-the-board \$500 application fee for a lifetime handgun carry permit, and establishes a tiered pricing structure as follows: for persons 21 to 49 years of age who are current handgun carry permit holders, \$400; for persons 21 to 49 years of age who are not current handgun carry permit holders, \$500; for persons 50 to 59 years of age who are current handgun carry permit holders, \$300; for persons 50 to 59 years of age who are not current handgun carry permit holders, \$400; for persons 60 years of age or older who are current handgun carry permit holders, \$200; and for persons 60 years of age or older who are not current handgun carry permit holders, \$300.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – \$890,800/Handgun Permit Division/FY16-17
\$890,800/Handgun Permit Division/FY17-18
\$890,800/Handgun Permit Division/FY18-19
\$890,800/Handgun Permit Division/FY19-20**

**Decrease State Revenue – Exceeds \$294,800/Handgun Permit
Division/FY20-21 and Subsequent Years**

**Decrease State Expenditures - Exceeds \$9,500/Handgun Permit
Division/FY20-21 and Subsequent Years**

Other Fiscal Impact – Over the first four years there will be a cumulative increase of state revenue. Beginning in FY20-21, the state begins incurring a recurring reduction of revenue associated with fewer permit renewals, and the extent of reduced revenue will grow gradually over time. It is estimated that the cumulative amount of increased revenue realized in the first four years will be sufficient for covering all subsequent reductions in revenue until FY33-34, at which point the cumulative reductions in revenue will exceed the cumulative increased revenue realized in the first four years.

Assumptions:

- Based on information provided by the Department of Safety (DOS), most standard handgun carry permits (SHGCP) are currently on a four-year renewal cycle. The cost of a four-year initial SHGCP is \$115. The cost of a four-year renewal for a SHGCP is \$50.

- A five-year average of 54,019 initial SHGCPs are issued each year. A five-year average of 68,322 SHGCP renewals is issued each year.
- Public Chapter 281 of 2015 became effective July 1, 2015, authorizing lifetime handgun carry permits (LHGCP) at a cost of \$500 for initial applicants and renewal applicants.
- Due to the lack of historical data relative to the current LHGCP, an estimated 2,700 initial applicants and 1,300 renewal applicants will elect to purchase a LHGCP.
- Projected revenue relative to the current handgun carry permits is as follows:

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21 and subsequent years
New Apps	\$5,901,685.00	\$5,901,685.00	\$5,901,685.00	\$5,901,685.00	\$5,901,685.00
Renewals	\$3,351,100.00	\$3,351,100.00	\$3,351,100.00	\$3,351,100.00	\$3,216,100.00
Lifetime	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00
Total	<u>\$11,252,785.00</u>	<u>\$11,252,785.00</u>	<u>\$11,252,785.00</u>	<u>\$11,252,785.00</u>	<u>\$11,117,785.00</u>

- Under the provisions of the bill, the LHGCP fee would become tiered relative to age and current permit status as follows:

21-49 initial	21-49 renewal	50-59 initial	50-60 renewal	60-Over initial	60-Over renewal
\$500	\$400	\$400	\$300	\$300	\$200

- Due to no change in price point relative to current law, the number of initial applicants age 21-49 is expected to remain constant.
- It reasonably assumed at least a total of 8,250 applicants will choose the lifetime option under the provisions of the bill. The forecasted additional applicants are evenly distributed amongst the age groups that experience a drop in price relative to current law.
- Projected revenue relative to the provisions of the bill is as follows:

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21 and Subsequent years
New Apps	\$5,688,475	\$5,688,475	\$5,688,475	\$5,688,475	\$5,688,475
Renewals	\$3,230,100	\$3,230,100	\$3,230,100	\$3,230,100	\$3,230,100
Lifetime	\$3,225,000	\$3,225,000	\$3,225,000	\$3,225,000	\$1,904,400
Total	<u>\$12,143,575</u>	<u>\$12,143,575</u>	<u>\$12,143,575</u>	<u>\$12,143,575</u>	<u>\$10,822,975</u>

- The projected change in revenue comparing current law projections to estimated revenue under the provisions of the bill is as follows:

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21 and subsequent years
HB1424 Total	\$12,143,575.00	\$12,143,575.00	\$12,143,575.00	\$12,143,575.00	\$10,822,975.00
Current Law	\$11,252,785.00	\$11,252,785.00	\$11,252,785.00	\$11,252,785.00	\$11,117,785.00
Total	<u>\$890,790.00</u>	<u>\$890,790.00</u>	<u>\$890,790.00</u>	<u>\$890,790.00</u>	<u>-\$294,810.00</u>

- Overall volume for the Handgun Permit Division will not change for FY16-17 through FY19-20. Beginning in FY20-21 the Handgun Permit Division will begin to experience a lower volume of SHGCP renewals.
- An estimated 4,000 (2,700 initial + 1,300 renewal) annual LHGCPs under the current \$500 fee.
- A decrease in expenditures due to a lower volume of SHGCP renewals beginning in FY20-21 will occur. In FY20-21 and subsequent years, an estimated 4,250 (8,250 under this bill – 4,000 currently) cards will not be required as a result of this bill. The current vendor price per card is \$2.23. The recurring decrease in state expenditures is estimated to exceed \$9,478 (\$2.23 x 4,250 cards).
- A reduction in staffing requirements is expected at some undeterminable point in time. The reduced amount of staffing requirements cannot be reasonably estimated.
- Calculations used in reaching these estimates have been omitted from this fiscal note for the purpose of brevity. However, these calculations are on file with Fiscal Review Committee staff and can be provided upon request.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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